GOVERNMENT OF INDIA
SMALL SCALE INDUSTRIES
LOK SABHA

UNSTARRED QUESTION NO:294
ANSWERED ON:26.07.2005
SCHEME ON PERFORMANCE AND CREDIT RATING OF SMALL SCALE INDUSTRIES
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Will the Minister of SMALL SCALE INDUSTRIES be pleased to state:

(a) the details pertaining to the `Performance and Credit Rating of Small Scale Industries` Scheme implemented through National Small Industries Corporation;

(b) whether the Government intend to simplify the credit norms under the schemes being implemented by SSI;

(c) if so, the details thereof;

(d) whether a scheme enhancing credit to small industries has come into existence; and

(e) if so, the details thereof and the steps taken in this regard?

Answer

MINISTER OF SMALL SCALE INDUSTRIES & AGRO AND RURAL INDUSTRIES (SHRI MAHABIR PRASAD)

(a): The `Performance and Credit Rating Scheme for Small Scale Industries`, being implemented through the National Small Industries Corporation (NSIC), is aimed at assisting the small scale industries (SSI) in obtaining performance and credit rating through approved credit rating agencies so that they may be able to improve their internal management and access institutional credit on favourable terms. Under the Scheme, 75 per cent of the fees paid by an SSI unit to an approved rating agency is reimbursed by the Government through the NSIC. The assistance under the Scheme is subject to a ceiling of Rs. 25,000, Rs. 30,000 or Rs. 40,000, depending on the turnover of the SSI unit. NSIC has empanelled six reputed rating agencies to carry out the rating of the SSI units under this Scheme. br>
(b) & (c): Some of the measures taken by the Reserve Bank of India

(RBI) to improve credit flow to the SSI units are fixing a time frame for disposal of their loan applications by banks, raising the limit of composite loans to Rs. 100 lakh and advice to the banks not to seek collateral security for loans upto Rs. 25 lakh from SSI units with good track record. In the Annual Policy Statement for 2005-06, the RBI has declared that it would review all its existing guidelines/instructions on lending to the SSI sector with a view, inter alia, to liberalising them and urge the banks to treat these guidelines as indicative minimum and adopt more favourable policies, as appropriate.

(d) & (e): The Credit Guarantee Fund Scheme for Small Industries was launched in August, 2000 to enhance credit flow to small scale industries. This Scheme is implemented by the Credit Guarantee Fund Trust for Small Industries (CGTSI), a trust settled by the Government of India and Small Industries Development Bank of India (SIDBI). The Scheme provides guarantee cover on term loans and working capital loans extended to SSI units by banks or financial institutions (which become member lending institutions of the CGTSI), without collateral security or third party guarantee. Both new and existing SSI units are eligible to avail of benefits under the Scheme. The guarantee cover provided under the Scheme is 75% of the loan amount, upto a ceiling of Rs. 25 lakh. 30,252 cases have been provided guarantee cover aggregating to Rs. 617.63 crore under this Scheme since its inception upto 30 June 2005.